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Arms Sales Resumed After Israeli, Iranian Offered New Deal

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President Reagan, who in early December 1985 halted a secret initiative with Iran to swap arms for hostages, reversed himself a month later after separate visits to Washington by Iranian middleman Manucher Ghorbanifar and Amiran Nir, an emissary of Israeli Prime Minister Shimon Peres, informed sources said yesterday.

Ghorbanifar and Nir both proposed a new package deal in which the five American hostages then held by the pro-Iranian Islamic Jihad extremists in Lebanon would be released in return for shipment of American arms needed by the regime of Ayatollah Ruhollah Khomeini, sources said.

Ghorbanifar, who was a middleman in the 1985 shipments of U.S. arms to Iran by Israel, was considered untrustworthy by both State Department and CIA regional experts. The CIA gave Ghorbanifar a lie detector test designed to establish his credibility, sources said, and he failed.

Nonetheless, CIA Director William J. Casey pushed to have Ghorbanifar's proposal considered, according to knowledgeable sources. It wasn't until Nir arrived in early January, however, that Lt. Col. Oliver L. North, the National Security Council aide who directed the Iran arms operation, showed renewed interest, the sources said.

North, in a chronology he prepared early last month for the White House after the first public disclosures of the Iran operation, wrote that Nir's visit was critical in persuading him to restart the effort, according to administration sources.

Although a Reagan aide described North's chronology as "in some doubt on key points," he said that North described Nir's visit as having "impact" because Nir "had more weight" than Ghorbanifar.

The Israeli arrived in Washington with ideas for a new initiative for the White House after having con-

versations with Saudi tycoon Adnan Khashoggi and Ghorbanifar, according to Israeli sources.

The visits triggered a National Security Council meeting on Jan. 7, during which the question of sending arms to Iran was discussed in front of the president for the second time in just over a month.

Secretary of State George P. Shultz, whose opposition to the 1985 initiative in December had carried weight with Reagan, again voiced his objections.

He repeated his argument that the deal would undermine the U.S. antiterrorist program and ran counter to its public position of not paying ransom for hostages.

Reagan did not make his decision at the Jan. 7, meeting, although he repeatedly asked what was wrong with shipping arms, making it clear to Shultz and others that he wanted to go ahead, sources said.

No notes were taken during the session and there are no minutes of what took place, a White House official said yesterday.

During the next 10 days, according to White House sources, Reagan's closest advisers, including Vice Adm. John M. Poindexter, who was then national security adviser, Regan, North and Casey, discussed how to proceed in the face of continued opposition to the arms shipments from Shultz and Defense Secretary Caspar W. Weinberger.

A recommendation to the president was prepared to proceed with the operation, but to do it in a way that kept it secret not only from Congress but also from Shultz, Weinberger, and other members of the national security council planning group, the source said.

"You don't cut George and Cap out lightly," the source said, adding that he "assumed" Poindexter drafted the recommendation although he has not seen any "reliable paper" on it.

Reagan signed a secret intelligence "finding" dated Jan. 17 authorizing shipment of arms from Pentagon stocks to Iran via Israel, according to White House officials.

According to testimony Casey, former national security adviser Robert C. McFarlane and other government officials gave Congress last week, the new January plan envisaged two shipments of U.S. arms to Iran, one in February and a second in May, at which time all the hostages were to be released.

According to Time magazine, Nir visited Washington in late January and North gave him the price of the arms and the Swiss bank account number into which the Iranians were to deposit their payments. In February and again in May, Time reported, Khashoggi deposited first \$10 million and then \$15 million in Swiss bank accounts—funds he had raised from private investors.

Casey reported to Congress that a total of \$12.2 million, covering the cost to the Pentagon of the weapons, was deposited as repayment with two deposits coming in early February, and the rest in mid-May, congressional sources said.

The first shipment, in February, signaled the operation was in effect.

McFarlane's visit to Tehran aboard a plane carrying Hawk anti-aircraft spare parts was to coincide with the release of the hostages. His departure was to be followed by two additional plane loads of arms. He was accompanied by Nir and North, sources said.

When McFarlane found the hostages were not released, he held up the two additional shipments. A top adviser to the Iranian speaker of parliament, Hojatolislam Ali Akbar Hashemi Rafsanjani, said the Iranians would assist in the release of two more hostages if the two additional arms shipments were sent.

McFarlane refused and returned to Washington with a recommendation that the project be ended.

Nevertheless, the arms-for-hostages program continued in fits and starts.

When McFarlane left Tehran, the Iranian offer of two hostages for two plane loads of arms was still considered "on the table," according to one source.

Apparently, the White House reopened negotiations with the Iranians subsequently. Another plane load of arms was sent around the time of the release of the Rev. Lawrence M. Jenco, and still another in late October, just before David P. Jacobsen was freed.

Staff writer David Hoffman contributed to this report.